



SBA Procedural Notice

TO: All SBA Employees

CONTROL NO.: 5000-994

SUBJECT: Changes to 504 and 7(a) On-Going Fee
Effective October 1, 2006

EFFECTIVE: 9/29/2006

Each year SBA reviews the fees payable to SBA by certified development companies (CDCs) and 7(a) participating lenders (Lenders) as well as the borrowers to determine if they are sufficient to cover the estimated costs of the 504 and 7(a) loan programs. The purpose of this notice is to announce the revised ongoing fees for both programs for loan approved during FY 2007. These fees are imposed under Section 503(b)(7) of the Small Business Investment Act and Section 7(a)(23) of the Small Business Act, respectively. These ongoing fees plus the other fees paid to SBA will keep each of these lending programs at a zero subsidy rate. At this time there are no changes to any of the other fees payable to SBA in either the 504 or 7(a) programs.

504 Loan Program

For 504 loans approved on or after October 1, 2006, the “ongoing guarantee fee” paid by borrowers to SBA will be 0.018 percent (1.8 basis points) of the outstanding balance of the 504 loan.

7(a) Loan Program

For 7(a) loans approved on or after October 1, 2006, the “yearly fee” due from participants to SBA will be 0.55 percent of the guaranteed portion of the outstanding balance on the 7(a) loan. In the 7(a) Authorization Wizard this is referred to as the “ongoing service fee.”

Instructions to Manually Change the 504 and 7(a) Authorizations

To change the default fee in the 504 authorization, change the “ongoing guarantee fee” from 0.192 to 0.018 percent. Then click the “Default” button located in the same section. The new value will then be set on that computer for all future 504 loan authorizations.

When using the current 7(a) Authorization Wizard, change the “ongoing service fee” from 0.545 to 0.55 percent. This will change the fee only for the specific authorization being written. The 0.55 value will not be set as a default for future 7(a) authorizations. The Wizard will revert to the 0.545 value when again used to create a new authorization, so the change must be made manually for each 7(a) loan until the 7(a) Authorization Wizard is updated. Future versions of the 7(a) authorization will enable a one-time default setting.

Notification and Questions

SBA field offices must notify CDCs and Lenders of these changes. SBA field offices with questions on this notice may direct their questions to Sloan Coleman via email at w.coleman@sba.gov. CDCs and Lenders are directed to forward questions to the local SBA field office.

Michael W. Hager
Associate Deputy Administrator
for Capital Access

EXPIRES: 9/1/2007

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Must be accompanied by SBA Form 58